Attachment 6

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Mr. Chairman, let me first express my appreciation to Congressman Frank for his kind introduction and interest in the topic before the Committee today.

Chairman Oxley, Congressman Frank, and members of the Committee, I am pleased to provide the perspective of an institutional investor on the issue of executive compensation and the legislation before you.

I am Christianna Wood, Senior Investment Officer for Global Equity, with the California Public Employees' Retirement System.

CalPERS is the nation's largest public pension system with more than $200 billion in assets.

I am here to support legislation that would help investors and shareowners know how their capital is being used.

We seek fuller disclosure and clear communication about executive pay packages -- in simple English.

We want executive pay tied to performance with clearly defined measures of success and failure -- in simple math.

We want companies to have a "clawback" policy for recapturing any form of incentive compensation that is unjustified. Executives should pay back incentive awards when it's found that the numbers used to justify the awards were inaccurate, requiring restatement.

Too often, we are paying not for performance, but for failure.

Just this month, CalPERS urged other shareowners to support a resolution requiring Home Depot to adopt a non-binding investor vote on its executive pay plan.

That's partly because over the past five years, Home Depot gave its chief executive more than $190 million. In the same time, total stock declined by 12 percent.

This past March, shareowners sued Hewlett-Packard to contest a severance package of more than $21 million – after the chief executive resigned for poor performance. Now we're told the severance package could be worth up to $42 million, including stock and options.

Opponents of today's bill say government shouldn't meddle in a marketplace that's working well…that executive pay reflects honest competition for the best corporate leaders.

Opponents say soaring executive compensation is merely keeping pace with corporate growth… and that pay packages appropriately reflect what the market will bear.

We're told supply and demand is what determines executive pay, much as it does for Yankee shortstop Alex Rodriguez, who gets more than $25 million a year.

However, supply and demand works better for ballplayers than corporate executives. Baseball fans who find the price too high can vote with their feet. They can stay home.

In the corporate world, shareowners <u>can't</u> stay home. If we sell our stocks, we're out of the game.

If we're out of the game, we can't produce the investment returns that cover $3 of every $4 of our people's retirement benefits.

When a CEO gets millions of dollars for running a company into the ground…when an executive takes stealth payments that we can't trace, there's a big potential impact on the retirement prospects of millions of ordinary people.

We're talking about the clerks, custodians, technicians, safety officers, and other public employees who entrust their nest eggs to investors like us. And of course <u>taxpayers</u> also pay more if corporate boards fall asleep at the switch.

Taxpayers and CalPERS members typically don't attend company meetings or even vote proxies. They rely on large institutional investors like CalPERS to watch their money.

But we can't follow their money in executive compensation -- as it stands now.

Big companies may say that what they pay executives is a pittance, compared with the billions of dollars of profits they generate.

In response, we have learned that runaway executive compensation indicates that corporate boards aren't minding the store. And we all know that bad things happen when corporate boards don't pay attention.

Boards weren't paying attention on the accounting issue a few years ago, and they're in the same fix today on the compensation issue.

A few years ago, investors testified here on behalf of what became the Sarbanes-Oxley law, which requires transparent accounting practices.

That law has been good for the market, making it harder for the Enrons and Worldcoms of this world to cook their books, deceive investors, and jeopardize the life-savings of millions of Americans.

The bill before you today would bring that same kind of transparency and oversight to runaway executive compensation.

In a perfect world, we wouldn't need government to call companies to account for how they pay their executives.

Since this isn't a perfect world, we are seeking the rule of law <u>not</u> to set salaries, but to require companies to show us the money… to show those who <u>own</u> the companies what they are paying their executives -- and why.

To sum up, we want more information than just corporate labels to tell us what's in the bottle. As owners, we have a right to know.

Our financial health and the retirement security of our 1.4 million members may depend on it.

Thank you. I welcome your questions.

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